

Message Text

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70

ACTION EB-07

INFO OCT-01 EUR-12 EA-07 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

AF-06 ARA-06 NEA-10 XMB-02 OPIC-03 OIC-02 /139 W

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R 061815Z OCT 75

FM USMISSION GENEVA

TO SECSTATE WASHDC 6174

INFO AMEMBASSY BERN

AMEMBASSY BUDAPEST

AMEMBASSY HELSINKI

AMEMBASSY OTTAWA

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: TRD GATT FI HU BU CZ

SUBJECT: GATT WPS ON FINNISH-EAST EUROPEAN "FREE TRADE AREAS"

REF: GENEVA 7448

1. SUMMARY. WPS ON NINE, HUNGARIAN, BULGARIAN, AND CZECH "FTAS" HAVE COMPLETED FIRST ROUND OF CONSULTATIONS. REPORT WILL BE SUBMITTED TO THE COUNCIL ON THE HUNGARIAN AGREEMENT STATING THAT NO CONCLUSIONS HAVE BEEN REACHED. THE OTHER TWO WPS HAVE ADJOUNED SINE DIE AND WILL NOT REPORT TO THE COUNCIL AT THIS STAGE. END SUMMARY.

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2. HUNGARY: A SERIOUS ATTEMPT BY HUNGARY TO FORCE WP TO

REACH FINAL CONCLUSIONS (REFTEL) DID NOT MATERIALIZE. LENGTHY DEBATE OVER THE NARRATIVE PORTION OF THE WPS INTERIM REPORT TO THE COUNCIL TOOK UP MOST OF OCT 2. AFTERNOON OF OCTOBER 3 WAS DEVOTED TO DRAFTING OF "CONCLUSIONS AND RECOMMENDATIONS" SECTION OF REPORT. FINAL AGREEMENT ON TEXT WAS REACHED ON THE MORNING OF OCT 4. IT STATES THAT:

(A) THE PARTIES TO THE "FTA" SUPPORTED BY TWO OTHER DELEGATIONS (DELEGATION NOTE: THESE WERE POLAND AND CZECHOSLOVAKIA) BELIEVE IT IS CONSISTENT WITH ARTICLE XXIV. (B) THE OTHER MEMBERS OF THE WP WHO SPOKE COULD NOT REACH ANY CONCLUSIONS RE ART. XXIV COMPATIBILITY ON THE BASIS OF AVAILABLE INFORMATION, AND REQUESTED THAT THE WP RECONVENE LATER ON THE BASIS OF ADDITIONAL INFORMATION. (C) IT WAS NOTED THAT THE HUNGARIAN DELEGATION TOOK NO POSITION ON THE QUESTION OF WHETHER ADDITIONAL CONSIDERATION BY THE WP IS NECESSARY.

3. DURING DISCUSSION US, EC, JAPAN, CANADA ALL RAISED ADDITIONAL QUESTIONS AND TOOK POSITION THAT HUNGARIAN-FINNISH RESPONSES HAD FALLEN FAR SHORT OF ANSWERING QUESTIONS SUBMITTED IN WRITING IN ADVANCE AND ORALLY DURING WORKING PARTY MEETING. WE ALL THUS CONSIDERED THAT EXAMINATION SHOULD BE CONTINUED LATER AFTER ADDITIONAL INFORMATION RECEIVED AND IN LIGHT OF ACTUAL OPERATION OF AGREEMENT. ON SUBSTANCE, US, JAPAN, CANADA EXPRESSED DOUBTS WHETHER AGREEMENT WAS COMPATIBLE WITH ARTICLE XXIV BUT WISHED DEFER FINAL CONCLUSIONS UNTIL FURTHER STAGE OF EXAMINATION. US AND CANADA BASED POSITION PARTIALLY ON LIMITED AGRICULTURAL COVERAGE OF AGREEMENT. (EC, OF COURSE, STAYED AWAY FROM THIS ONE). EC'S POSITION ON SUBSTANCE WAS THAT INFORMATION CURRENTLY AVAILABLE NOT ADEQUATE TO PROVIDE BASIS FOR EVEN ANY PRELIMINARY JUDGEMENT ON ARTICLE XXIV COMPATIBILITY. ON FURTHER PROCEDURES, HUNGARY WOULD OBVIOUSLY HAVE PREFERRED WORKING PARTY EXERCISE TO BE TERMINATED. THEY HAD NO SUPPORT, HOWEVER, EVEN FROM FINNS WHO SAID THEY HAD NO PROBLEMS WITH PROLONGATION. HUNGARIAN REP. NYERGES, PROPOSED THAT WORKING PARTY SHOULD TERMINATE WITH SAME KIND OF CONCLUSIONS AS THOSE LIMITED OFFICIAL USE

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OF WORKING PARTY ON EC-FINNISH FTA AND ARGUED THAT TO DO OTHERWISE WOULD BE DISCRIMINATORY EFFORT TO PUT EASTERN CPS IN GHETTO AND DENY THEM NORMAL GATT RIGHTS. IN SAME VEIN, NYERGES SAID US POSITION IN PARTICULAR WAS EQUIVALENT TO SAYING THAT CENTRALLY PLANNED ECONOMY COUNTRIES HAD NO RIGHT TO ENTER FTAS UNDER ARTICLE XXIV. WE RESPONDED THAT THIS MIS-STATED OUR POSITION-THAT WHILE WE HAD DOUBTS AS HOW

THIS COULD BE DONE CONSISTENTLY WITH ARTICLE XXIV WE PREPARED TO EXAMINE INDIVIDUAL ARRANGEMENTS ON THEIR MERITS. IN OPPOSING CONTINUATION OF EXERCISE, NYERGES ALSO EXPRESSED VIEW THAT REQUESTS FOR INFORMATION BY WORKING PARTY MEMBERS WERE EXCESSIVE AND WOULD IN FACT NEVER BE SATISFIED SINCE THEY BASED ON CONSIDERATIONS OTHER THAN DESIRE FOR OBJECTIVE CONSIDERATION OF COMPATIBILITY OF HUNGARIAN-FINNISH ARRANGEMENT WITH ARTICLE XXIV. IN THE END, HOWEVER, WHEN HE WAS ISOLATED ON CONTINUATION OF EXERCISE, HE SETTLED FOR LANGUAGE INDICATING THAT HUNGARIAN POSITION ON FURTHER MEETINGS OF WP WAS OPEN. NEXT STEP IN PROCESS WILL BE FOR REPORT TO GO TO GATT COUNCIL AND FOR COUNCIL TO DECIDE WHETHER, WHEN, AND HOW EXERCISE SHOULD BE CONTINUED.

4. BULGARIAN: AFTER ABORTIVE DEBATE ON BULGARIAN AGREEMENT THE MORNING OF SEPT 30, IN WHICH IT QUICKLY BECAME CLEAR THAT NO INFORMATION WOULD BE FORTHCOMING FROM THE BULGARIAN, EITHER DIRECTLY OR THROUGH THE FINNS, THE WP ADJOURNED SINCE IT HAD TO AWAIT MORE INFORMATION ON WHICH IT COULD BASE A DEBATE. THE FINNS UNDERTOOK TO OBTAIN ADDITIONAL DATA FROM THE BULGARIANS.

5. CZECHOSLOVAKIA: LENGTHY DISCUSSION DISTINGUISHED BY AN ALMOST TOTAL FAILURE OF THE CZECH DELEGATION TO BE RESPONSIVE TO QUESTIONS PUT BY OTHER DELEGATIONS. IT TOOK UP PART OF OCT 2 AND 3 NOT DEVOTED TO HAGGLING OVER THE HUNGARIAN REPORT. CZECH DELEGATE (KELLER) AT TIMES HELD THE FLOOR FOR OVER 30 MINUTES READING AND RE-READING IRRELEVANT OR OVER-GENERALIZED MATERIAL CONCERNING THE OPERATION OF THE CZECHOSLOVAK IMPORT PLAN. THE TEDIUM WAS FINALLY BROKEN ON THE AFTERNOON LIMITED OFFICIAL USE

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OF OCT 4 WHEN CZECHS UNEXPECTEDLY OPENED THE SESSION WITH A PROPOSAL THAT THE WP ADJOURN SINCE IT HAD IN ORDER TO GIVE THEM AN OPPORTUNITY TO SUPPLY ANSWERS TO THE GROWING LIST OF SPECIFIC QUESTIONS THAT OTHER DELEGATIONS FELT HAD NOT BEEN ANSWERED SATISFACTORILY. THE CZECH PROPOSAL CAME AFTER INTENSIVE CORRIDOR CONSULTATIONS WITH OTHER EE DELEGATIONS, IN WHICH IT APPEARS THE CZECH PLOY WAS STRENUOUSLY OPPOSED BY EE "DEN MOTHER" NYERGES. AFTER US ASSURED THAT THE RECORD WOULD SHOW CLEARLY THAT IT WAS THE CZECHS WHO HAD PROPOSED THE ADJOURNMENT, THE MEETING WAS TERMINATED.

5. SAO LARITH OF "ANTIS" IN ALL THREE WPS WAS NOTABLE. ALTHOUGH EC AND US TOOK LEAD, USEFUL SUPPORT WAS RECEIVED FROM CANADA, JAPAN, AND SWITZERLAND.

SWISS MADE CLEAR THEIR VIEW THAT FINNS SHOULD HAVE GONE
FOR A WAIVER UNDER ARTICLE XXV INSTEAD OF TRYING
FOR APPROVAL UNDER ARTICLE XXIV. THE SWEDES, HOWEVER, THOUGH
THEY DID NOT PARTICIPATE IN THE DEBATE, WERE HELPFUL
IN SUPPORT OF US/EC POSITIONS IN INFORMAL CONSULTATIONS
ON THE WORDING OF THE "CONCLUSIONS" SECTION OF THE
REPORT ON HUNGARY. AUSTRIA WAS NOT MEMBER OF ANY OF WPS.
DALE

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